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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

VLSI TECHNOLOGY, LLC,

Plaintiff,

v.

INTEL CORPORATION,

Defendant.

Case No. 5:17-cv-05671-BLF-NC

**DEFENDANT INTEL CORPORATION'S
OPPOSITION TO PLAINTIFF VLSI
TECHNOLOGY LLC'S MOTION TO
DISMISS INTEL'S SECOND AMENDED
ANSWER, DEFENSES, AND
COUNTERCLAIMS**

Judge: Hon. Beth Labson Freeman

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* Citations to “Mot.” are to Plaintiff VLSI Technology LLC’s Notice of Motion and Motion to Dismiss Intel’s Second Amended Answer, Defenses, and Counterclaims, Dkt. 869-2.

** Citations to “Ex. __” are to the exhibits attached to the Declaration of Mark Selwyn filed herewith.

I. INTRODUCTION

VLSI's motion to dismiss is its latest attempt to avoid this Court's final resolution of the licensing issues and to start all over again in Texas, despite the Texas court deferring to this Court's adjudication of those issues. After this Court denied Intel's and VLSI's cross motions for summary judgment on Intel's affirmative license defense and found that a jury should resolve the sole factual dispute as to whether Fortress has common control over VLSI and Finjan, VLSI has resorted to desperate measures in an attempt to prevent this Court from trying this single remaining license issue and to instead relitigate *all* license issues in Texas. Now that this Court has granted Intel's motion to amend to plead the license issues in the form of a counterclaim and the Texas court has deferred to this Court in view of the advanced stage of these proceedings, VLSI has filed both a mandamus petition to the Federal Circuit to challenge this Court's order and this motion to dismiss Intel's license counterclaim. VLSI's motion to dismiss should be denied because its arguments are without merit.

First, the Finjan License allows Intel to plead it as a "[REDACTED]" to not only asserted VLSI claims but also "[REDACTED]." That is exactly what Intel has done here by pleading the license as a defensive counterclaim to both ongoing infringement actions brought by VLSI *and* potential infringement actions that VLSI *may attempt* in the future. Intel's actions are consistent with the direction from the Delaware Chancery Court, which declined jurisdiction over a declaratory judgment license claim and ruled that Intel could present the license issues in the existing district court litigation, including "in the first-filed forum, the California Action." *Intel Corp. v. Fortress Inv. Grp., LLC*, 2021 WL 4470091, at *9 & n.77 (Del. Ch. Ct. Sept. 30, 2021).

Second, while VLSI incorrectly asserts that Intel's license counterclaim does not qualify as a "[REDACTED]" under the Finjan License, it also contradicts itself by arguing that the counterclaim is nothing more than a defense for jurisdictional purposes. This Court correctly rejected VLSI's jurisdictional arguments in granting Intel's motion to amend and should do so again. This Court has jurisdiction over Intel's license counterclaim because there is a substantial controversy between Intel and VLSI with respect to the '836 and '922 patents in this case, VLSI's pending infringement cases in Texas and China, and other patents for which there is an imminent risk that VLSI may sue Intel. Moreover, the Court has not entered final judgment and thus has retained jurisdiction over the license counterclaim.

1 **Third**, in an obvious effort to avoid this Court’s summary judgment ruling and to start all over
2 in Texas, VLSI asks this Court to exercise its discretion and defer to the Texas court. But the Texas
3 court deferred to this Court in the interests of judicial economy given the advanced stage of the license
4 issues here. While VLSI previously prevented Intel from pursuing the license issues in Texas by
5 opposing Intel’s motion to amend, the parties have litigated the license issues in this Court since
6 December 2021, when VLSI consented to Intel adding a license defense. Indeed, this case is the **only**
7 pending case to have progressed through discovery on the license issues, and the Court has now issued
8 a summary judgment order in which it has resolved every issue regarding the license with the exception
9 of one factual question regarding whether Fortress has common control over VLSI and Finjan. As
10 this Court previously stated, “it is clear that the license defense is ready to be submitted to a jury and
11 this Court is in a position expeditiously to resolve this dispute.” Dkt. 807 at 2.

12 This Court should reject VLSI’s latest attempt at forum shopping, deny VLSI’s motion to
13 dismiss, and “reset trial on an expedited basis.” *See* Dkt. 860.

14 **II. STATEMENT OF FACTS**

15 **A. VLSI’s Serial Lawsuits Against Intel**

16 VLSI was formed in 2016 by Fortress Investment Group (“Fortress”), a New York-based
17 hedge fund, for the purpose of acquiring patents from NXP Semiconductor. Dkt. 844 at 15-18 (¶¶ 150-
18 157), 22 (¶ 168), 43 (¶ 107). Since its formation, VLSI’s only business has been asserting former
19 NXP patents against Intel across multiple jurisdictions. *Id.* at 16-17 (¶¶ 151-153), 18-20 (¶¶ 158-160).

20 Beginning with the instant suit filed in California, VLSI has sued Intel across the United States
21 and in China. In October 2017, VLSI filed this action in which it originally asserted eight patents.
22 Dkt. 1. VLSI next sued Intel in the District of Delaware in June 2018, where it asserted five additional
23 patents. No. 1:18-cv-00966, Dkt. 1 (D. Del.). VLSI then filed a second Delaware action in March
24 2019, asserting six more patents against Intel. No. 1:19-cv-00426, Dkt. 1 (D. Del.). One month later,
25 VLSI voluntarily dismissed that action and re-filed it as three separate actions (with two additional
26 patents) in the Western District of Texas. *Id.*, Dkt. 15 (D. Del.); No. 6:19-cv-00254, Dkt. 1 (W.D.
27 Tex.) (now No. 6:21-cv-00057) (“First Texas Case”); No. 6:19-cv-00255, Dkt. 1 (W.D. Tex.) (now
28 No. 6:21-cv-00299); No. 6:19-cv-00256, Dkt. 1 (W.D. Tex.) (now No. 1:19-cv-00977) (“Third Texas

Case”). VLSI also filed two actions in China in which it asserted two additional patents. No. (2019) Hu 73 Zhi Min Chu No. 356 (Shanghai); No. (2021) Yue 03 Min Chu No. 5853 (Shenzhen).

In total, VLSI has asserted 23 patents against Intel across these cases and sought more than \$22 billion in damages. Dkt. 844 at 18-20 (¶¶ 159-160).

B. Intel’s License To VLSI’s Patents

In July 2020, three years after VLSI filed this action, Fortress—which formed and controls VLSI—acquired control of Finjan Holdings, LLC (“FHL”). Dkt. 844 at 44 (¶ 112). That acquisition triggered Intel’s rights under a 2012 License to practice patents owned by FHL’s subsidiaries and their “Affiliates,” a broadly defined term that includes VLSI because VLSI and FHL are under the common control of Fortress. *Id.* at 42-43 (¶¶ 103-106), 44 (¶ 117). Under the Finjan License, Intel was required to seek resolution of any agreement-related disputes through a mandatory Dispute Resolution Process. Dkt. 843-3 § 9.3. Intel initiated that process in August 2020 by sending notice to FHL, VLSI, and Fortress that Fortress’s acquisition of FHL meant Intel had a license to VLSI’s asserted patents.

With trial approaching in the First Texas Case, Intel moved to stay that case in September 2020, and moved to amend its answer to add the license defense in November 2020. *See VLSI Tech. LLC v. Intel Corp.*, 87 F.4th 1332, 1349-50 (Fed. Cir. 2023). While those motions were pending in Texas, Intel filed a complaint in the Delaware Chancery Court in which it sought resolution of the license issues there. *See Intel*, 2021 WL 4470091, at *3. The Chancery Court, however, ruled that Intel could present its license defense in the existing district court litigations, including “in the first-filed forum, the California Action.” *Id.* at *9 & n.77. Intel also pursued its license defense in the District of Delaware where the court allowed Intel’s motion to amend over VLSI’s opposition. *VLSI*, 1:18-cv-00966, Dkt. 772 (D. Del.). The Delaware court, however, did not resolve the license defense because the parties agreed to dismiss all claims and counterclaims as part of a stipulated agreement ending that case, with “neither party ... paying any amount to the other party.” *Id.*, Dkt. 998 (D. Del.).

In Texas, at VLSI’s urging, the court denied Intel’s motion to add its license defense in March 2022, on the grounds that Intel’s motion was untimely, amendment was futile, and VLSI would be prejudiced because trial already occurred. *VLSI Tech. LLC v. Intel Corp.*, 2022 WL 1261322, at *2-4 (W.D. Tex. Apr. 21, 2022). The Federal Circuit recently reversed the Texas court, holding that Intel

1 should have been allowed to amend its answer to add its license defense. *VLSI*, 87 F.4th at 1349-52.

2 Meanwhile, in this action, which was stayed between March 2019 and September 2021, VLSI
3 consented to Intel amending its answer to add the license defense in December 2021. Dkt. 330; Dkt.
4 334 ¶¶ 145-146. In the over two years since then, the parties actively litigated the license issues.

5 **C. This Court’s Summary Judgment Decision On The License Issues**

6 After discovery closed in February 2023, the parties filed cross motions for summary judgment
7 on Intel’s license defense. *See* Dkt. 579-3 at 18-21; Dkt. 588-2 at 1-15. Intel also moved for summary
8 judgment of no infringement for the ’836, ’922, ’806, and ’672 patents and of invalidity for the asserted
9 claims of the ’922 patent. Dkt. 579-3 at 1-18.

10 On December 7, 2023, the Court granted summary judgment of no infringement for the ’836
11 and ’922 patents and of invalidity for the asserted ’922 patent claims, but denied Intel’s motion for
12 summary judgment of no infringement for the ’806 and ’672 patents. Dkt. 772 at 55.

13 On December 20, 2023, the Court then issued a 19-page summary judgment opinion in which
14 it denied Intel’s and VLSI’s cross motions for summary judgment on Intel’s license defense. Dkt.
15 781. The Court rejected every one of VLSI’s legal arguments regarding the license defense, including
16 by holding that (1) “under Delaware law ... non-signatory entities meeting the definition of ‘Affiliates’
17 (as defined by the Finjan License Agreement) of the Finjan Parties can be bound by the agreement,
18 including later acquired or formed ‘Affiliates’” and (2) “patents belonging to Affiliates of Finjan, as
19 defined by the Finjan License Agreement, are subject to the license to Intel described therein.” *Id.* at
20 14, 19. The Court determined that the defense should be decided at trial based on the narrow factual
21 question of whether VLSI and the Finjan Parties are “Affiliates” under the license (which turns on the
22 question of whether VLSI and the Finjan Parties are both under Fortress’s control). *Id.* at 16-17.

23 **D. VLSI’s Attempts To Avoid The License Trial And Start Over In Texas**

24 Shortly after the Court’s summary judgment orders, VLSI attempted to avoid the imminent
25 trial on Intel’s license defense by moving to vacate the trial date and stay the case pending its appeal
26 from the district court’s summary judgment order. Dkt. 788. When this Court rejected that motion,
27 VLSI “mov[ed] down [its] list” of options, Dkt. 797 at 5:14-7:10, 15:6-21, 17:23-25, and voluntarily
28 granted Intel a covenant not to enforce the ’806 and ’672 patents, Dkt. 797 at 15:13-19; Dkt. 798-2 at

1 1; Dkt. 799. This Court then ordered briefing to determine whether “trial can go forward on the
2 licensing defense” for the ’836 and ’922 patents. Dkt. 797 at 27:22-25.

3 Intel explained that this Court had jurisdiction to hold a trial on the license defense because
4 VLSI’s covenant did not include the ’836 and ’922 patents, and the Court’s interlocutory summary
5 judgment ruling did not deprive it of jurisdiction to consider the defense as an additional, alternative
6 ground for final judgment in Intel’s favor on those patents. Dkts. 798, 804-1. In response, VLSI
7 argued that this Court lacked jurisdiction over the license issue because “Intel is not seeking a trial on
8 a counterclaim; it is seeking a trial on an affirmative defense.” Dkt. 803 at 3-4.

9 On January 24, 2024, the Court sided with VLSI. Dkt. 807. Although the Court noted that “it
10 is clear that the license defense is ready to be submitted to a jury and this Court is in a position
11 expeditiously to resolve this dispute,” it held that “Intel’s affirmative defenses were mooted by the
12 Court’s summary judgment order—which found in part that Intel does not infringe the asserted claims
13 of the ’836 and ’922 Patents and that the ’922 Patent is invalid—and VLSI’s covenant not to sue and
14 subsequent dismissal of the ’806 and ’672 Patents.” *Id.* at 2, 8. The Court explained that “[c]ritical to
15 this analysis is the fact that Intel only seeks trial on an affirmative defense; it did not assert the license
16 defense as a counterclaim.” *Id.* at 3. The Court rejected VLSI’s argument that “Intel may not now
17 seek to amend its answer to assert a new counterclaim long after the deadline has run” and explained
18 “Rule 16 permits Intel to *seek* to amend the scheduling order in order to amend its answer, upon a
19 showing of ‘good cause and with the judge’s consent.’” *Id.* at 8. Two days after the Court’s ruling,
20 Intel moved to amend its pleadings to add a license counterclaim. Dkt. 809.

21 Meanwhile, VLSI moved for a scheduling order on the license defense in Texas—even though
22 the mandate had not issued from the Federal Circuit’s decision in the First Texas Case, and even
23 though the Texas court had not yet ruled on pending post-trial motions in the Third Texas Case. *See*
24 Dkts. 827-2, 827-3. VLSI made clear that its intent was to wipe the slate clean, have the Texas court
25 ignore this Court’s rulings, and relitigate all license issues already decided in this Court. The Texas
26 court denied VLSI’s motion and stated that:

27 The Court notes that the Northern District of California has set a jury trial
28 for March 25, 2024 in a case between VLSI and Intel with a factual dispute

1 regarding the licensing issue underlying VLSI's motion. The Court should
2 deny [VLSI's motion for a scheduling order] *in favor of judicial economy*.
3 Dkt. 833-1 (citation omitted and emphasis added).

4 **E. This Court Grants Intel's Motion To Amend**

5 On February 9, 2024, this Court granted Intel's motion to amend to add the license
6 counterclaim. Dkt. 841. This Court determined that Intel had shown good cause for its amendment
7 under Rule 16 because "Intel was diligent in seeking leave to amend ... as soon as it was clear that
8 amendment was necessary to continue to pursue the license issue," Intel's "amendment does not create
9 any meaningful case management issues," and "any prejudice to VLSI is minimal." *Id.* at 4-7. The
10 Court also held that Intel had shown that amendment was appropriate under Rule 15 because Intel did
11 not act in bad faith in seeking leave to amend, there was "no undue delay by Intel," "any prejudice to
12 VLSI is minimal," and "Intel's proposed counterclaim is not futile." *Id.* at 7-13.

13 **III. ARGUMENT**

14 **A. Intel Has Properly Pleaded Its License Counterclaim As Part Of This Action.**

15 VLSI's request to dismiss Intel's license counterclaim based on the Finjan License forum
16 selection clause is contrary to the plain language of the Finjan License and unsupported by VLSI's
17 arguments. In the alternative, even under VLSI's theory that the forum selection clause prevents
18 moving forward with Intel's license counterclaim in this venue (which to be clear, it does not), the
19 proper remedy would be transfer to the District of Delaware for a trial, not dismissal.

20 **1. The plain language of the Finjan License allows it to be pleaded as a**
21 **declaratory judgment counterclaim.**

22 "Delaware adheres to the 'objective' theory of contracts, i.e. a contract's construction should
23 be that which would be understood by an objective, reasonable third party." *Osborn ex rel. Osborn v.*
24 *Kemp*, 991 A.2d 1153, 1159 (Del. 2010). Courts must "interpret contracts 'as a whole and ... give
25 each provision and term effect, so as not to render any part of the contract mere surplusage,'" and "not
26 read a contract to render a provision or term meaningless or illusory." *In re Shoreline Hays-*
27 *Nederlander Theatres LLC Appeals*, 213 A.3d 39, 56 (Del. 2019) (quoting *Osborn*, 991 A.2d at 1159).
28 "When the contract is clear and unambiguous," courts "will give effect to the plain-meaning of the

1 contract's terms and provisions." *Id.* at 56-57 (quoting *Osborn*, 991 A.2d at 1159-1160).

2 Under the plain meaning of the Finjan License, Intel has properly pleaded a declaratory
3 judgment license counterclaim before this Court. Although the Finjan License provides that "[a]ll
4 disputes and litigation regarding this Agreement and matters connected with its performance shall be
5 subject to the exclusive jurisdiction of the Court of Chancery of the State of Delaware ... or the United
6 States District Court for the District of Delaware," Dkt. 843-3 [Finjan License] § 11.4, it also provides
7 an exception such that the Finjan License "[redacted]
8 [redacted]," *id.* § 9.1
9 (emphasis added). The plain language of the Finjan License thus allows it to be pleaded "[redacted]
10 [redacted]," and not only as an affirmative defense. *Id.* (emphasis added).

11 Moreover, while the Finjan License provides that it may be pleaded "[redacted]
12 [redacted]" to claims that "[redacted]" or "[redacted]," it also expressly provides that it may be
13 pleaded "[redacted]" to claims that "[redacted]." *Id.* (emphasis added).
14 The Finjan License does not place any limits as to *how* a defense can be pleaded. And in fact, the only
15 way to plead a "[redacted]" is by bringing a declaratory judgment
16 counterclaim like the one Intel is asserting here. That is, the only way to give meaning to the contract
17 terms "[redacted]" is by permitting Intel to bring a declaratory judgment counterclaim that
18 sets out the substance of Intel's license defense against prospective claims that "[redacted]". And
19 as noted above, the Delaware Chancery Court declined jurisdiction over a declaratory judgment
20 license claim and ruled that Intel could present the license issues in the existing district court litigation,
21 including "in the first-filed forum, the California Action." *Intel*, 2021 WL 4470091, at *9 & n.77.

22 **2. VLSI's arguments regarding the forum selection clause are without merit.**

23 VLSI's arguments that the Finjan License does not allow a party to plead "an independent
24 claim upon which the Court may base its jurisdiction," Mot. 6, should be rejected.

25 *First*, VLSI argues that "[t]he Federal Circuit has conclusively determined that forum selection
26 clauses barring 'litigation ... relating to' patent license agreements require dismissal of claims related
27 to patent enforcement, including claims for declaratory relief." Mot. 6-7. But none of VLSI's cited
28 cases involves a situation where a defendant asserted a declaratory judgment counterclaim as a defense

1 to both ongoing and future infringement actions, and there is no indication that any of the cases
2 involved a license explicitly stating that it could be “[REDACTED]”
3 “[REDACTED],” as is the case here. *Supra* § III.A.1; *Texas Instruments Inc. v.*
4 *Tessera, Inc.*, 231 F.3d 1325, 1329-1331 (Fed. Cir. 2000) (interpreting “litigation” in forum selection
5 clause of particular agreement to encompass ITC proceedings); *PowerTech Tech. Inc. v. Tessera, Inc.*,
6 660 F.3d 1301, 1310 (Fed. Cir. 2011) (reversing dismissal of declaratory judgment claim filed in
7 California where forum selection clause provided that “claim[s] shall be filed in the state or federal
8 courts in California”); *Dodocase VR, Inc. v. MerchSource, LLC*, 767 F. App’x 930, 934-935 (Fed. Cir.
9 2019) (interpreting “dispute arising out of or under this Agreement” in forum selection clause to
10 include PTAB petitions); *Nippon Shinyaku Co. v. Sarepta Therapeutics, Inc.*, 25 F.4th 998, 1005-1006
11 (Fed. Cir. 2022) (interpreting forum selection clause that covers “all Potential Actions arising under
12 U.S. law relating to patent infringement or invalidity” to include IPR petitions); *see also Fireman’s*
13 *Fund Ins. Co. v. M.V. DSR Atl.*, 131 F.3d 1336, 1340 (9th Cir. 1997), *as amended* (Mar. 10, 1998)
14 (finding unavailability of *in rem* proceedings in Korea did not render forum selection clause
15 unenforceable, without any indication that there was a dispute as to the scope of the forum selection
16 clause); *Publicis Commc’n v. True N. Commc’ns Inc.*, 132 F.3d 363, 366 (7th Cir. 1997) (interpreting
17 forum selection clause without identifying any provision that allowed claim at issue to be pleaded as
18 counterclaim).

19 **Second**, while VLSI asserts that the Finjan License permitted Intel to rely on the license only
20 when pleaded as a defense, and not as a counterclaim, Mot. 7-9, VLSI does not cite any case supporting
21 that narrow interpretation. Instead, VLSI simply points to cases that cite background principles of
22 contract interpretation without ever applying those principles to the plain language in the Finjan
23 License. VLSI also claims that its narrow interpretation of Section 9.1 of the Finjan License is
24 supported by the use of both “[REDACTED]” and “[REDACTED]” in that section, and argues that allowing a
25 declaratory judgment counterclaim based on the license would “create a sweeping ‘declaratory
26 judgment’ exception” to the forum selection clause in Section 11.4. Mot. 8-9. But VLSI never
27 grapples with the full language of Section 9.1, which does not place *any* limits on the form in which
28 such a defense must be raised. VLSI does not point to any reason grounded in the language of the

1 Finjan License as to why raising a license defense as an affirmative defense is permissible, but raising
2 a declaratory judgment counterclaim for the same license agreement is not. And VLSI avoids
3 explaining how its interpretation of the license would not render the language that allows the license
4 to be pleaded as a “[REDACTED]” mere
5 surplusage. *See Shorenstein*, 213 A.3d at 57 (rejecting contract interpretation that would “render[] the
6 definition of ‘Shorenstein Entity’ and ‘Nederlander Entity’ in the preamble to the LLC Agreement
7 mere surplusage”). Again, the only way to plead a defense to a claim that “[REDACTED]” is
8 by bringing a declaratory judgment counterclaim. *Supra* § III.A.1.

9 VLSI narrowly focuses on the meaning of the word “[REDACTED]” in isolation and argues that
10 Intel’s interpretation “contradicts Delaware law.” Mot. 9. But there is no reason to consider the
11 meaning of the word “[REDACTED]” in the abstract because the Finjan License provides that it may be
12 pleaded as a “[REDACTED]” to any claim that “[REDACTED].” In any event, while
13 VLSI identifies no case where a Delaware court analyzing forum selection issues has directly
14 confronted the question of whether the term “[REDACTED]” can encompass declaratory judgment
15 counterclaims, courts regularly refer to declaratory judgment claims as “defenses.” *See, e.g., ABB Inc.*
16 *v. Cooper Indus., LLC*, 635 F.3d 1345, 1349-1350 (Fed. Cir. 2011) (referring to declaratory judgment
17 non-infringement claim as raising a “state law license defense”); *Public Serv. Comm’n of Utah v.*
18 *Wycoff Co.*, 344 U.S. 237, 248 (1952) (explaining that declaratory judgment plaintiff “is seeking to
19 establish a defense against a cause of action which the declaratory defendant may assert”); *Boba Inc.*
20 *v. Blue Box Opco LLC*, 2019 WL 2140597, at *4-5 (S.D. Cal. May 15, 2019) (finding that **language**
21 **in license “reserv[ing] all defenses” enabled defendant to bring counterclaim “challenging the**
22 **validity of the ... patent in defense to a claim of patent infringement**” (emphases added)); *see also*
23 Mot. 16 (referring to Intel’s counterclaim as a “defense to infringement claims”). VLSI’s cited case,
24 Mot. 8, does not hold otherwise as it simply states that “[a]n affirmative defense is not a ‘claim.’”
25 *Philadelphia Indem. Ins. Co. v. Chi. Title Ins. Co.*, 771 F.3d 391, 401 (7th Cir. 2014).

26 Here, in the context of analyzing the Finjan License, there is even more reason to interpret the
27 term “[REDACTED]” to encompass declaratory judgment “counterclaims” as the License refers to a “[REDACTED]”
28 “[REDACTED].” Dkt. 843-3 § 9.1 (emphases added).

1 As explained above, the plain meaning of that clause only makes sense if it encompasses declaratory
2 judgment counterclaims because that is the only way to plead a defense to a claim “[REDACTED]
3 [REDACTED].” *Supra* § III.A.1. And while VLSI complains that this interpretation creates a “declaratory
4 judgment” exception to the forum selection clause, Mot. 9, VLSI does not (and cannot) assert that this
5 interpretation would render the forum selection clause a nullity, as the clause would still apply to bar
6 the initiation of other claims—including, for example, breach of contract claims.

7 **Third**, VLSI argues that “Intel’s current interpretation of the Finjan License directly
8 contradicts its explicit representations before the Western District of Texas, District of Delaware, and
9 Delaware Chancery Court.” Mot. 10-12. But the Delaware Chancery Court rejected Intel’s arguments
10 in declining jurisdiction over Intel’s affirmative claim seeking a declaration that Intel is licensed. The
11 Delaware Chancery Court declined jurisdiction because Intel “has an adequate remedy at law in the
12 form of a license defense in the infringement actions.” *Intel*, 2021 WL 4470091, at *1. In so ruling,
13 the court noted that “*it appears Intel may present its license defense in the first-filed forum, the*
14 *California Action*”—without ever suggesting that Intel could only “present its license defense” as an
15 affirmative defense and not as a declaratory judgment counterclaim. *Id.* at *9 n.77 (emphasis added).
16 As explained above, it can be pleaded as a counterclaim. *Supra* pp. 6-10. Thus, the Delaware
17 Chancery Court in fact contemplated that Intel would bring the license defense in this action, and Intel
18 has done so by pleading it in the form of a declaratory judgment counterclaim.

19 **Finally**, apparently recognizing that the Finjan License allows Intel to plead its license
20 counterclaim in this forum, VLSI argues that “this Court does not have subject matter jurisdiction over
21 the license defense.” Mot. 9-10. But VLSI’s jurisdictional arguments should be rejected as explained
22 below. *See infra* § III.B.¹

23
24 ¹ VLSI also includes a conclusory assertion that Intel’s declaratory judgment counterclaim would be
25 barred by res judicata based on an antitrust complaint that Intel and Apple brought against Fortress
26 and its patent assertion entities. Mot. 10 n.3. But VLSI is wrong because the antitrust case had nothing
27 to do with the Finjan License and did not involve the same claim or cause of action. *See Intel Corp.*
28 *v. Fortress Inv. Grp. LLC*, 511 F. Supp. 3d 1006, 1020-29 (N.D. Cal. 2021).

1 **3. Even if VLSI’s interpretation were correct, the correct remedy would be**
2 **transfer for trial in Delaware, not dismissal of the counterclaim.**

3 Even under VLSI’s theory that the Finjan License requires Intel’s counterclaim to be brought
4 in Delaware (which, as explained above, is incorrect), VLSI is wrong to suggest that the proper remedy
5 is dismissal under either the doctrine of *forum non conveniens* or Fed. R. Civ. P. 12(b)(6). Instead,
6 the correct remedy would be transfer to Delaware—where a trial could be held—and not dismissal.

7 **First**, where a forum selection clause points to a federal forum (as is the case here), the United
8 States Supreme Court has made clear that *forum non conveniens* does not apply, and that the proper
9 remedy instead is transfer to the federal forum. *See Atlantic Marine Constr., Co. v. United States Dist.*
10 *Ct. for W. Dist. of Texas*, 571 U.S. 49, 60 (2013) (explaining that “the appropriate way to enforce a
11 forum-selection clause pointing to a state or foreign forum is through the doctrine of *forum non*
12 *conveniens*,” but that “for the subset of cases in which the transferee forum is within the federal court
13 system ... Congress has replaced the traditional remedy of outright dismissal with transfer”); *Abeyta*
14 *v. DMCG, Inc.*, 2023 WL 2918741, at *2 (N.D. Cal. Apr. 12, 2023) (denying motion to dismiss
15 because “‘a forum-selection clause may be enforced by a motion to transfer under § 1404(a),’ not ‘a
16 motion to dismiss under [§ 1406(a)] or Rule 12(b)(3)’”). Given this precedent, it is not surprising that
17 VLSI does not cite a single case after *Atlantic Marine* that grants dismissal under the doctrine of *forum*
18 *non conveniens* based on a forum selection clause that permits a federal forum. *See* Mot. 2, 6-12.

19 **Second**, VLSI’s motion should be treated as a motion to transfer venue under 28 U.S.C.
20 § 1404(a) because Rule 12(b)(6) is not the proper vehicle for enforcement of a forum selection clause.
21 Although the Supreme Court in *Atlantic Marine* did not consider whether Rule 12(b)(6) may be used
22 to enforce a forum selection clause, it noted that “[e]ven if a defendant could use Rule 12(b)(6) to
23 enforce a forum-selection clause, that would not change our conclusions that § 1406(a) and Rule
24 12(b)(3) are not proper mechanisms to enforce a forum-selection clause and that § 1404(a) [for forum-
25 selection clauses that point to a federal court] and the *forum non conveniens* doctrine [for forum-
26 selection clauses that point exclusively to a state or foreign forum] provide appropriate enforcement
27 mechanisms.” 571 U.S. at 61. As explained in *Atlantic Marine*, a forum selection clause “does not
28 render venue in a court ‘wrong’ or ‘improper,’” and therefore “the clause may be enforced through a

1 motion to transfer under § 1404(a)” as opposed to a motion to dismiss. *Id.* at 59.

2 At least one court in this District has correctly recognized that this remedy applies regardless
3 of whether a movant attempts to enforce a forum selection clause through the more traditional avenue
4 of a motion to dismiss for improper venue or a motion under Rule 12(b)(6). *See Scott v. Tesoro Refin.*
5 *& Mktg. Co.*, 2021 WL 9553715, at *4-5 (N.D. Cal. Mar. 1, 2021) (holding that alleged violations of
6 a forum selection clause do not “warrant a Rule 12(b)(6) dismissal,” but instead, “the proper
7 enforcement mechanism is a motion to transfer pursuant to ... section 1404(a)”). And while courts in
8 this District have not reached consensus regarding whether a motion to dismiss under Rule 12(b)(6)
9 may be used to enforce a forum selection clause, and the Ninth Circuit has not yet ruled conclusively
10 on this question, Ninth Circuit and Supreme Court precedent support those courts that have found that
11 transfer, and not dismissal, is the proper mechanism to enforce a forum selection clause.

12 For example, the Ninth Circuit has recognized that attempts to enforce a forum selection clause
13 under Rule 12(b)(6) should be considered as arguments regarding improper venue. In *Argueta v.*
14 *Banco Mexicano, S.A.*, the Ninth Circuit concluded that the movant’s motion to dismiss based on a
15 forum selection clause should not be treated as a Rule 12(b)(6) motion, but rather “as a Rule 12(b)(3)
16 motion” based on “improper venue.” 87 F.3d 320, 324 (9th Cir. 1996); *see Gypsy Jeans Int’l Ltd. v.*
17 *Chancey*, 2006 WL 8455439, at *2 (S.D. Cal. Mar. 28, 2006) (converting motion to dismiss under
18 Rule 12(b)(6) to a Rule 12(b)(3) motion for improper venue). Although this decision was prior to
19 *Atlantic Marine*’s holding that motions for improper venue based on a forum selection clause should
20 be heard under § 1404(a), not Rule 12(b)(3), it supports subsequent decisions holding that a forum
21 selection clause should be treated as a venue issue and that transfer—not dismissal—is therefore the
22 appropriate enforcement mechanism. *See D’Arbonne Bend LLC v. Pierce Partners III, LLC*, 2020
23 WL 10786670, at *5 (C.D. Cal. Feb. 19, 2020) (holding that “motion to dismiss under Rule 12(b)(6)
24 is not considered on the merits and is MOOT,” and that “[i]nstead, the forum selection issue is
25 considered under 28 U.S.C. § 1404”); *Scott*, 2021 WL 9553715, at *4-5; *Nielsen v. Thermo Mfg. Sys.,*
26 *LLC*, 2018 WL 1383182, at *5 (D. Neb. Mar. 19, 2018) (“Because the Supreme Court has specifically
27 prescribed the appropriate means to enforce a forum-selection clause—either a motion to transfer
28 under 28 U.S.C. § 1404(a) or through the doctrine of *forum non conveniens* ... the Court finds

1 [Defendants] are not entitled to enforce the forum-selection clause through Rule 12(b)(6).”). *But see*
2 *RJ v. Cigna Health & Life Ins. Co.*, 625 F. Supp. 3d 951, 968-69 (N.D. Cal. 2022) (adopting rule from
3 other circuits that Rule 12(b)(6) “is an acceptable means of enforcing a forum selection clause”).

4 Although other courts in this circuit (including within this district) and in other circuits, *see*
5 Mot. 12, have disagreed, the unique issues present when analyzing a forum selection clause favor
6 enforcement through transfer over dismissal. For example, courts have noted procedural differences
7 between challenges to venue based on a forum selection clause and motions to dismiss under Rule
8 12(b)(6), including that “dismissal for failure to state a claim under Rule 12(b)(6) is a judgment on the
9 merits” whereas “[c]hallenges to venue ... generally do not cause prejudice to the merits of the non-
10 moving party’s claims because the case is merely moved to and adjudicated in a new location.”
11 *Lawson Steel, Inc. v. All State Diversified Prods., Inc.*, 2010 WL 5147905, at *5 (N.D. Ohio Nov. 23,
12 2010), *report and recommendation adopted*, 2010 WL 5150159 (N.D. Ohio Dec. 13, 2010). In
13 addition, the fact that Congress provided alternative mechanisms to challenge venue under Rule
14 12(b)(3) and § 1404(a) suggests that these serve a different purpose than Rule 12(b)(6) and should not
15 be conflated. *Compare Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29-30 (1988) (“Section 1404(a)
16 is intended to place discretion in the district court to adjudicate motions for transfer according to an
17 ‘individualized, case-by-case consideration of convenience and fairness.’ ... The flexible and
18 individualized analysis Congress prescribed in § 1404(a) thus encompasses consideration of the
19 parties’ private expression of their venue preferences.”), *with In re Qualcomm Antitrust Litig.*, 2023
20 WL 121983, at *13 (N.D. Cal. Jan. 6, 2023) (“The Court must dismiss a complaint under [Rule]
21 12(b)(6) ‘where the pleadings fail to state a claim upon which relief can be granted.’”).

22 For these reasons, should the Court find that the forum selection clause requires adjudication
23 of Intel’s counterclaim in Delaware (which, as explained above, it should not), the appropriate remedy
24 is transfer to the District of Delaware under § 1404(a), and not dismissal. Although this Court
25 previously expressed concerns about the potential of transferring to Delaware, Dkt. 866 at 17:22-18:8,
26 this Court has already allowed the license counterclaim into this case and the District of Delaware is
27 familiar with the licensing issues as they were previously litigated through discovery and summary
28 judgment briefing before the case was dismissed by agreement of the parties before resolution of the

1 summary judgment motions. Moreover, transferring to Delaware for trial will allow the court in
2 Delaware to efficiently bring the license issues to a close by taking the case in its current posture and
3 then holding a trial, rather than having to supervise a new case from the very beginning.

4 But again, the Court need not do this because the counterclaim can and should be heard here.

5 **B. This Court Has Jurisdiction Over Intel’s License Counterclaim.**

6 This Court has jurisdiction over Intel’s counterclaim for a declaratory judgment that it is
7 licensed to VLSI’s patents because “the facts alleged, under all the circumstances, show that there is
8 a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and
9 reality to warrant the issuance of a declaratory judgment.” *MedImmune, Inc. v. Genentech, Inc.*, 549
10 U.S. 118, 127 (2007). Intel’s license counterclaim presents a substantial controversy between Intel
11 and VLSI because it addresses the ’836 and ’922 patents that VLSI intends to continue to pursue in
12 this case, as well as VLSI’s entire patent portfolio, including patents presently asserted in other
13 jurisdictions, foreign counterparts of patents VLSI previously asserted, and other patents for which
14 prior owner NXP committed to provide VLSI claim charts. VLSI’s jurisdictional arguments are
15 meritless and should be rejected.

16 **1. This Court has jurisdiction based on VLSI’s other infringement actions**
17 **and based on potential additional infringement actions VLSI could file.**

18 VLSI’s jurisdictional argument is based on the incorrect premise that “Intel cannot identify
19 any actual case or controversy to justify asserting a license claim *within this proceeding*” and that
20 “[t]he claim’s potential impact on the infringement claims pending in Texas is irrelevant for
21 establishing jurisdiction *here*.” Mot. 13-15. As this Court recognized, however, Intel’s declaratory
22 judgment license counterclaim has broader implications beyond the particular patents VLSI asserted
23 in this one case because “Intel’s counterclaim seeks ‘declaratory judgment that it is licensed to all
24 patents owned by VLSI.’” Dkt. 841 at 10. While VLSI asserts that its “ownership of patents that may
25 or may not be subject to the Finjan License is wholly insufficient to create a case or controversy on its
26 own,” Mot. 14, the counterclaim does not merely rely on VLSI’s ownership of patents to establish
27 jurisdiction. Instead, Intel relies on multiple factors that establish a live controversy, including:

- 28
 - VLSI’s pending infringement actions in Texas and China, Dkt. 844 at 41-42; *supra* § II.A;

- The existence of foreign counterparts of patents VLSI previously asserted against Intel, including foreign counterparts to the '672 patent that VLSI did not include in its covenant not to sue, Dkt. 844 at 42 (¶ 100);
- The existence of other patents for which the prior patent owner NXP committed to provide VLSI with claim charts, Dkt. 828-2, Recitals, §§ 1.1(ss), 3.2; Ex. 1, 132-33, 178-79, 194-95;
- Evidence that VLSI was created by Fortress for the sole purpose of obtaining patents from NXP and asserting them in litigation, Dkt. 844 at 17-18 (¶¶ 154-157); Ex. 2 at 913, 915; and
- VLSI's aggressive enforcement campaign against Intel in which VLSI has asserted 23 patents against Intel and sought more than \$22 billion in damages to date, Dkt. 844 at 18-20 (¶¶ 158-160), 41-42 (¶¶ 93-101); *supra* § II.A.

These facts, when considered either individually or collectively, “show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127; *see Arkema Inc. v. Honeywell Int’l, Inc.*, 706 F.3d 1351, 1358 (Fed. Cir. 2013) (there is “a sufficient affirmative act on the part of the patentee for declaratory judgment purposes” where patentee had accused declaratory judgment plaintiff of infringing rights with respect to closely related patent and foreign counterpart); *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 901-902 (Fed. Cir. 2008) (evidence of “an aggressive litigation strategy ... amply supports a real and substantial dispute between these parties”); *In re VoIP-Pal.com, Inc.*, 2022 WL 843418, at *2 (Fed. Cir. Mar. 22, 2022) (“district court made a reasonable determination” that “prior patent infringement suit involving the same products and closely related patents provided strong support for there being an active controversy between the parties”).

VLSI ignores most of these facts that give rise to jurisdiction here and instead only addresses the litigation in the Western District of Texas. Mot. 13-14. But even the Texas cases alone are enough for there to be controversy that confers jurisdiction on this Court because the license counterclaim could definitively resolve the infringement disputes in the Texas court. VLSI's contrary argument based on *Tur v. YouTube, Inc.* is misplaced because that case involved an appellant seeking review of an interlocutory summary judgment denial after a case had already been dismissed voluntarily. 562 F.3d 1212, 1213-1214 (9th Cir. 2009). *Tur* would thus be more analogous to VLSI voluntarily

1 dismissing its entire case, and then only after that, seeking review of the Court’s summary judgment
2 denial on Intel’s license defense to prevent the potential preclusive effect of this Court’s summary
3 judgment denial in the Texas case. Here, unlike *Tur*, Intel’s license counterclaim is a standalone claim
4 that gives rise to jurisdiction in this case as it will indisputably affect both this action, VLSI’s other
5 pending actions against Intel, and VLSI’s entire patent portfolio. Because there are both ongoing
6 infringement actions brought by VLSI and a risk that VLSI may pursue additional infringement
7 allegations, this Court has jurisdiction over Intel’s declaratory judgment license counterclaim.

8 **2. This Court also has jurisdiction based on VLSI’s ongoing infringement**
9 **allegations in this case.**

10 This Court also has jurisdiction over Intel’s counterclaim based on the ’836 and ’922 patents
11 asserted in this suit. While VLSI argues that Intel cannot assert a counterclaim based on the ’836 and
12 ’922 patents because this Court has already granted summary judgment as to those patents, Mot. 15-
13 16, VLSI has indicated that it intends to continue asserting the ’836 and ’922 patents by appealing this
14 Court’s summary judgment ruling. A declaration that Intel is licensed to the ’836 and ’922 patents
15 would provide an additional basis for entering final judgment against VLSI with respect to those
16 patents. For this reason, the Supreme Court has explained that a court’s “decision to rely on one of
17 two possible alternative grounds”—for example, “noninfringement rather than invalidity”—does *not*
18 “strip it of *power* to decide the second question, particularly when its decree [i]s subject to” appellate
19 review. *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 98 (1993); *see Fort James Corp. v.*
20 *Solo Cup Co.*, 412 F.3d 1340, 1348 (Fed. Cir. 2005) (“[T]he jury verdict holding that [defendant] did
21 not infringe [plaintiff’s] patents did not moot [defendant’s] counterclaim for unenforceability nor did
22 it act to divest the district court of jurisdiction to hear that unlitigated counterclaim.”); *We Shall*
23 *Overcome Found. v. The Richmond Org., Inc.*, 2018 WL 400776, at *1-2 (S.D.N.Y. Jan. 12, 2018)
24 (trial could proceed on alternative grounds after granting summary judgment of no valid copyright,
25 even though defendants tendered a covenant-not-to-sue as to remaining portions of their copyright).

26 The Supreme Court’s decision in *Cardinal Chemical* thus contradicts VLSI’s assertion that
27 “courts have unanimously recognized that a finding of non-infringement also moots counterclaims
28 based on defenses to infringement,” Mot. 16. VLSI’s assertion is also inconsistent with its previous

1 position that this Court lacked jurisdiction over Intel’s affirmative license defense based on the
2 “fundamental difference between affirmative defenses and independent claims.” Dkt. 803 at 4; *id.* at
3 3-4 (“Intel is not seeking a trial on a counterclaim; it is seeking a trial on an affirmative defense.”).
4 VLSI’s reliance on *Westwood v. Brott*, 2022 WL 17418975 (N.D. Cal. Dec. 5, 2022), and *Fox Group,*
5 *Inc. v. Cree, Inc.*, 819 F. Supp. 2d 520 (E.D. Va. 2011), are misplaced, including because *Westwood*
6 involved a court relying on its “discretion to dismiss a counterclaim,” 2022 WL 17418975, at *3-4,
7 and neither case involved a situation like the one here where the counterclaim applies more broadly
8 than just to the infringement claims in this particular action, *supra* § III.B.1.

9 VLSI also asserts that “there can be no real dispute that Intel’s license defense is not a
10 standalone claim for relief, but a defense to infringement claims.” Mot. 16. As an initial matter, this
11 assertion is fatal to VLSI’s forum selection clause arguments. *Supra* pp. 7-10. Moreover, parties
12 regularly plead noninfringement, invalidity, and license as standalone claims. *See, e.g., Altvater v.*
13 *Freeman*, 319 U.S. 359, 363 (1943) (“[T]he issue of validity may be raised by a counterclaim in an
14 infringement suit.”); *Integrated Glob. Concepts, Inc. v. j2 Glob., Inc.*, 2013 WL 3297108, at *3 (N.D.
15 Cal. June 28, 2013) (where patentee “has asserted a claim of infringement[,] ... claim for declaratory
16 relief of an implied license is an actual, non-abstract controversy, which the court may hear”); *ABB,*
17 *635 F.3d at 1349-1352* (approving jurisdiction over declaratory judgment non-infringement claim).
18 VLSI’s cases do not provide any guidance on the jurisdictional issues as *Lucent Technologies* and
19 *Carborundum* merely address the burden of proof where licenses were asserted as affirmative defenses
20 to patent infringement. *Lucent Techs., Inc. v. Newbridge Networks Corp.*, 168 F. Supp. 2d 181, 241-
21 242 (D. Del. 2001); *Carborundum Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872, 877-
22 878 (Fed. Cir. 1995). *B. Braun Medical, Inc. v. Abbott Laboratories* held that a patent misuse
23 counterclaim cannot be converted into a claim for damages by “restyling it as a declaratory judgment
24 counterclaim”—but that is because “patent misuse simply renders the patent unenforceable.” 124 F.3d
25 1419, 1428 (Fed. Cir. 1997). And *National Union Fire Insurance Co. of Pittsburgh v. City Savings,*
26 *F.S.B.* explained that as used in 12 U.S.C. § 1821(d), “a claim (or a counterclaim) is essentially an
27 action which asserts a right to payment.” 28 F.3d 376, 387, 394 (3d Cir. 1994).

28 Ultimately, while VLSI asserts that Intel’s license counterclaim “still only provide[s] a defense

1 to infringement allegations the court disposed of at summary judgment,” Mot. 17, Intel’s counterclaim
2 is broader as it not only provides alternative grounds for judgment in Intel’s favor on the ’836 and
3 ’922 patents, but also applies to VLSI’s entire patent portfolio, *supra* § III.B.1.

4 **3. This Court properly allowed Intel to plead a license counterclaim to cure**
5 **the Court’s prior concerns regarding jurisdiction.**

6 In an apparent attempt to seek reconsideration of the Court’s order granting Intel’s motion to
7 amend, VLSI next argues that “[o]nce the Court determined that it lacked jurisdiction” over Intel’s
8 affirmative license defense, “amendment was not available as a means of curing the jurisdictional
9 defect.” Mot. 17-18. But the Court retained jurisdiction over the action before entering final judgment.
10 *See Silicon Image, Inc. v. Genesis Microchip Inc.*, 395 F.3d 1358, 1363 (Fed. Cir. 2005) (“[T]he trial
11 court must dismiss, with or without prejudice, all of the claims as a predicate to a final judgment before
12 appellate jurisdiction may lie[.]”). While VLSI granted Intel a covenant not to sue as to the ’806 and
13 ’672 patents, “[t]he final judgment rule cannot be satisfied by stipulation of the parties.” *Id.* at 1362.
14 Moreover, there remained a case and controversy because VLSI did not grant Intel a covenant on the
15 ’836 and ’922 patents, and this Court was also of course free to “revise[] at any time” its summary
16 judgment order with respect to the ’836 and ’922 patent “before the entry of a judgment adjudicating
17 all the claims and all the parties’ rights and liabilities.” *See* Fed. R. Civ. P. 54(b); *see also City of Los*
18 *Angeles, Harbor Div. v. Santa Monica Baykeeper*, 254 F.3d 882, 886 (9th Cir. 2001) (court “retains
19 jurisdiction over an interlocutory order—and thus may reconsider, rescind, or modify such an order—
20 until a court of appeals grants a party permission to appeal”); *United States v. Smith*, 389 F.3d 944,
21 948 (9th Cir. 2004) (similar). Thus, although the Court determined that it would not have jurisdiction
22 to try Intel’s affirmative license defense (a point which Intel still disputes), the Court never determined
23 that it lacked jurisdiction over the entire action and never entered final judgment.²

24 VLSI’s cases are all distinguishable as they involved situations where jurisdiction was lacking
25 from the outset of the case and/or judgment had already entered such that the court was without power
26

27 ² Indeed, the Court could not have entered final judgment without first adjudicating or dismissing
28 Intel’s counterclaim for invalidity of the ’836 patent.

1 to take any action. *See* Mot. 17-18; *National Presto Indus., Inc. v. Dazey Corp.*, 107 F.3d 1576, 1580-
2 1583 (Fed. Cir. 1997) (court lacked jurisdiction because parties’ dispute over settlement agreement
3 was filed *after* consent judgment had entered and underlying litigation had already terminated); *United*
4 *States v. Boe*, 543 F.2d 151, 157, 159 (C.C.P.A. 1976) (where “jurisdiction is clearly lacking” at the
5 outset because “Customs Court was clearly devoid of jurisdiction over the subject civil action,”
6 “further proceedings cannot be permitted”); *Morongo Band of Mission Indians v. Cal. State Bd. of*
7 *Equalization*, 858 F.2d 1376, 1380-81 & n.2 (9th Cir. 1988) (“In the present case, the district court
8 *lacked* jurisdiction at the outset.”). Here, by contrast, there is no dispute that this Court had jurisdiction
9 over this action at the outset and that the underlying action was never terminated, such that at “all
10 stages of review,” this Court has retained jurisdiction. *See Fellowship of Christian Athletes v. San*
11 *Jose Unified Sch. Dist. Bd. of Educ.*, 82 F.4th 664, 681 (9th Cir. 2023). The parties are thus free to
12 file additional motions at any time before judgment enters. Were VLSI’s position to be accepted, a
13 court could never reconsider a jurisdictional ruling before final judgment is entered, revise a summary
14 judgment order, or grant a party leave to amend to plead additional facts after granting a motion to
15 dismiss. But that is simply not the law. *See Swearingen v. Paskenta Band of Nomlaki Indians Tribal*
16 *Bus. Council*, 2013 WL 4567456, at *2 (N.D. Cal. Aug. 27, 2013) (“An action should not be dismissed
17 for lack of subject matter jurisdiction without giving the plaintiff an opportunity to amend unless it is
18 clear that the jurisdictional deficiency cannot be cured by amendment.”); *Kershaw v. Blinken*, 2022
19 WL 18673288, at *3 (C.D. Cal. Dec. 6, 2022) (holding that although subsequent events mooted claim
20 and deprived court of jurisdiction, plaintiff could amend complaint to assert claims under different
21 statute); *Madison Servs., Inc. v. United States*, 90 Fed. Cl. 673, 682 (2009) (permitting plaintiff to cure
22 jurisdictional defect by amending complaint to add new claims); *McKinley v. Kaplan*, 177 F.3d 1253,
23 1258 (11th Cir. 1999) (permitting plaintiff to cure jurisdictional defect by amending complaint because
24 there is “nothing illegitimate about a plaintiff seeking a new type of relief when intervening events
25 occur during the pendency of litigation that makes the originally sought relief impossible”).

26 **C. This Court Should Not Decline Jurisdiction Over Intel’s License Counterclaim.**

27 Unable to show that Intel’s license counterclaim is contrary to the forum selection clause or
28 that this Court lacks jurisdiction over that counterclaim, VLSI asks this Court to exercise its *discretion*

1 to decline jurisdiction over the license counterclaim here under the first-filed rule and the policy
2 underlying the Declaratory Judgment Act. VLSI's request is without any merit and should be denied.

3 **1. This Court should resolve Intel's license counterclaim in this first-filed**
4 **infringement action in the interests of judicial economy.**

5 "The question of whether to decline jurisdiction over a declaratory judgment action under the
6 first-to-file rule is governed by Federal Circuit law." *In re VoIP-PAL.com, Inc.*, 845 F. App'x 940,
7 942 (Fed. Cir. 2021). The Federal Circuit's precedent "makes clear that the rule is not absolute, and
8 exceptions may be made if justified by 'considerations of judicial and litigant economy, and the just
9 and effective disposition of disputes.'" *Id.* (quoting *Electronics for Imaging, Inc. v. Coyle*, 394 F.3d
10 1341, 1347 (Fed. Cir. 2005)). Indeed, "[t]he first-to-file rule is 'intended to avoid conflicting decisions
11 and promote judicial efficiency.'" *Apple Inc. v. VoIP-Pal.com, Inc.*, 506 F. Supp. 3d 947, 958 (N.D.
12 Cal. 2020). Application of the first-to-file rule "is ultimately committed to the district court's
13 discretion." *VoIP-PAL.com*, 845 F. App'x at 942. VLSI argues that the first-to-file rule requires that
14 the license issues be adjudicated alongside the Texas infringement claims. Mot. 19-21. But this action
15 was the first-filed case, Intel's license counterclaim applies to VLSI's entire patent portfolio, and
16 efficiency dictates that this Court resolve Intel's license counterclaim, as the Texas court recognized.

17 **First**, it is undisputed that "VLSI brought the instant infringement action in [the California]
18 forum before it brought any action in Texas." Dkt. 841 at 11. There has been no final judgment in
19 this case and no dismissal of all claims; the case was still live and pending when the Court allowed
20 Intel to add its declaratory judgment counterclaim. *Supra* § III.B.3. This case is the first-filed action,
21 and cases like *Futurewei* are inapplicable. *See Futurewei Techs., Inc. v. Acacia Rsch. Corp.*, 737 F.3d
22 704, 706-707 (Fed. Cir. 2013) (declining jurisdiction over declaratory judgment claim that was filed
23 **after** a separate non-infringement action was filed in a different court). Finding this action to be the
24 first-filed action is consistent with the conclusion reached by the Delaware Chancery Court, which
25 noted that "it appears Intel may present its license defense in the first-filed forum, the California
26 Action." *Intel*, 2021 WL 4470091, at *9 n.77. Even under VLSI's theory that the first-filed forum
27 should be determined based on where the licensing issues were first litigated instead of where
28 infringement allegations were first brought, Mot. 20, the licensing issues were first added to this case

1 (in December 2021, with VLSI's consent and shortly after the stay was lifted), and not in Texas (which
2 denied Intel's motion to amend in March 2022, and thereby prevented Intel from adding the license
3 issues to the Texas cases). Dkt. 330. Thus, the license issues were first litigated in this forum and
4 have proceeded through fact discovery and a summary judgment ruling.

5 **Second**, VLSI incorrectly asserts that the license counterclaim only addresses infringement
6 issues that are pending in Texas. Mot. 19-21. As explained above, Intel's license counterclaim
7 provides an alternative ground for judgment in Intel's favor for the '836 and '922 patents that VLSI
8 asserts in this action, applies to the infringement actions asserted by VLSI in Texas **and in China**, and
9 applies to other infringement actions that VLSI may pursue in the future. *Supra* §§ III.B.1, III.B.2.

10 **Third**, even under VLSI's theory that this case is not the first-filed (which, as explained above,
11 it is), this Court should exercise its discretion to keep jurisdiction over Intel's license counterclaim
12 based on "considerations of judicial and litigant economy, and the just and effective disposition of
13 disputes." *VoIP-PAL.com*, 845 F. App'x at 942. As this Court recognized, it is far closer to resolution
14 of the licensing issues than the Texas court. Dkt. 797 at 10:22-11:10 ("I'm ahead of my good friend,
15 Judge Albright [on the license defense issue.]"). "[T]he parties have already conducted discovery on
16 the substantive merits of the license issue, and the parties' cross summary judgment motions reduced
17 the issue to the narrow factual question of whether Fortress controls VLSI and Finjan." Dkt. 841 at 5.
18 The license issue "is ready to be submitted to a jury and this Court is in a position expeditiously to
19 resolve this dispute." Dkt. 807 at 2.

20 By contrast, in the actions pending before the Texas court, no discovery has occurred on the
21 licensing issues, a mandate has not yet issued formally remanding the case after appeal in the First
22 Texas Case, and the court has not yet resolved post-trial motions in the Third Texas Case. Moreover,
23 those Texas cases have other issues in addition to the license issues that may need to be resolved
24 should they proceed to re-trial, including damages issues. Therefore, this Court is far closer to
25 resolving the license issues, which could be accomplished with a shorter and simpler trial in this case
26 than would be required in Texas, and could further streamline or eliminate the need for a trial in the
27
28

1 Texas cases.³ Indeed, the Texas court recently found that “judicial economy” favored deferring to the
2 California court. Dkt. 833-1.

3 Under these circumstances, this Court should reject VLSI’s attempt to start anew in Texas. *See*
4 *VoIP-PAL.com*, 845 F. App’x at 942-943 (denying mandamus where “it would be far less efficient for
5 the Western District of Texas to resolve these cases based on the Northern District of California’s
6 familiarity with the overlapping issues” and “[t]he Western District of Texas has stayed proceedings”).

7 **2. This Court should reject VLSI’s other arguments for declining jurisdiction**
8 **over Intel’s license counterclaim.**

9 VLSI next argues that this Court should decline to exercise jurisdiction over Intel’s declaratory
10 judgment license counterclaim based on certain criteria applied by the Ninth Circuit. Mot. 21-25. But
11 Ninth Circuit law does not apply here. To the contrary, the Federal Circuit has explained that “whether
12 to accept or decline jurisdiction in an action for a declaration of patent rights in view of a later-filed
13 suit for patent infringement ... falls within [the Federal Circuit’s] exclusive subject matter jurisdiction”
14 and the Federal Circuit “do[es] not defer to the procedural rules of the regional circuits nor [is it] bound
15 by their decisions.” *Electronics for Imaging*, 394 F.3d at 1345-1346. As explained above, under
16 Federal Circuit law, this Court should not decline jurisdiction over Intel’s license counterclaim. *Supra*
17 § III.C.1. Even if Ninth Circuit law applied, however, the factors cited by VLSI all favor exercising
18 jurisdiction over Intel’s license counterclaim.

19 **First**, while VLSI accuses Intel of forum shopping, Mot. 22-23, the opposite is true. After this
20 Court rejected VLSI’s legal arguments in denying the parties’ cross motions for summary judgment
21 on the license defense and determined that the only remaining factual question turned on whether
22

23 ³ Although VLSI has argued that it would assert new counterclaims and seek additional discovery
24 should its motion to dismiss be denied, it has not provided any details regarding which counterclaims
25 or what discovery would be necessary. As this Court noted, “any challenges by VLSI to the license
26 issue not already addressed by the Court are largely questions of law or based on the factual record
27 already developed,” and there is “no reason to believe that additional discovery, if necessary, would
28 be particularly burdensome.” Dkt. 841 at 5, 9.

1 VLSI and the Finjan Parties are under common control of Fortress, VLSI has taken extreme measures
2 to avoid the license trial here and start over in Texas. *Supra* § II.D. In this Court, VLSI consented to
3 Intel adding the license defense in the first place and “the parties have already conducted discovery on
4 the substantive merits of the license issue, and the parties’ cross summary judgment motions reduced
5 the issue to the narrow factual question of whether Fortress controls VLSI and Finjan.” Dkt. 841 at 5.
6 By contrast, in Texas, VLSI prevented Intel from adding the license defense to the case in the first
7 place and the license issues are thus at an incipient stage.⁴ Thus, contrary to VLSI’s suggestions
8 otherwise, Intel seeks a prompt resolution of the license issues, and it is VLSI that seeks to block that
9 path forward, wipe the slate clean, and start anew in Texas.

10 ***Second***, VLSI’s complaint of “needlessly duplicative litigation,” Mot. 23, rings hollow. ***VLSI***,
11 and not Intel, ***filed*** this litigation. In fact, since its formation in 2016, VLSI has done nothing other
12 than sue Intel for infringement and has filed eight actions across five jurisdictions accusing Intel of
13 infringing 23 different patents. *Supra* § II.A. If not for VLSI’s serial litigation against Intel and
14 deliberate strategy of splitting its claims, there would be no risk of “duplicative litigation” at all.

15 ***Third***, Intel’s license counterclaim could indisputably resolve all aspects of VLSI’s global
16 assertion campaign against Intel by providing Intel with a full and complete license to VLSI’s patent
17 portfolio. While VLSI asserts that Intel’s counterclaim is unnecessary and may proceed at “significant
18 expense to the parties,” Mot. 23, it is actually VLSI’s suggestion that the Texas court start all over on
19 the licensing issues that would subject the parties to unnecessary expense. As this Court recognized,
20 the sole remaining factual license issue “is ready to be submitted to a jury and this Court is in a position
21 expeditiously to resolve this dispute.” Dkt. 807 at 2. Whereas that issue is primed to be tried here as
22 a standalone counterclaim, VLSI is suggesting that the Texas court waste court and party resources by
23 starting over on the license issues and by holding potentially unnecessary trials on other issues as well.

24
25 ⁴ While VLSI asserts that Intel has “declined for months even to file an amended answer ... despite
26 VLSI’s stipulation that it may do so,” Mot. 22-23, Intel needs the Texas court’s leave to file such an
27 amended answer—leave which was previously denied at ***VLSI***’s urging—and the Texas court has
28 deferred to this Court’s resolution of the license issues before it moves forward on the license defense.

1 **Fourth**, there can be no dispute that Intel’s declaratory judgment license counterclaim will
2 serve the useful purpose of clarifying whether Intel has a full and complete license to VLSI’s patent
3 portfolio. VLSI asserts that Intel “has undeniably **not** brought this declaratory judgment counterclaim
4 to clarify its rights amidst the threat of **future** litigation,” Mot. 24, but that is simply not true. Intel’s
5 license counterclaim could resolve both the ongoing infringement actions brought by VLSI and
6 potential infringement actions that VLSI could bring in the future. *Supra* § III.B.1.

7 **Fifth**, VLSI incorrectly asserts that the license counterclaim “is brought only to decide an issue
8 before another district court.” Mot. 24. As explained above, the license counterclaim will provide
9 complete certainty and could put an end to VLSI’s global patent assertion campaign against Intel, now
10 and in the future. *Supra* §§ III.B.1, III.B.2.

11 **Sixth**, although VLSI ignores this factor, there can be no dispute that the counterclaim will not
12 result in entanglement between the federal and state court system, as the Delaware Chancery Court
13 declined jurisdiction and ruled that Intel could present the license issues in the existing federal cases,
14 including “in the first-filed forum, the California Action.” *Intel*, 2021 WL 4470091, at *9 & n.77.

15 **Seventh**, VLSI asserts that “allowing Intel’s license defense to be litigated in Texas is more
16 convenient for both the parties and the respective courts,” Mot. 24, but that ignores the current state
17 of the licensing issues in both courts. As explained above, and as this Court previously recognized,
18 the sole remaining license issue in this case “is ready to be submitted to a jury and this Court is in a
19 position expeditiously to resolve this dispute.” Dkt. 807 at 2. By contrast, VLSI is attempting to start
20 all over in Texas and relitigate issues that have already been resolved here. There is nothing
21 convenient for either the parties or the courts in engaging in this kind of duplicative litigation on the
22 licensing issues. Further, certain Fortress and Finjan witnesses live within the subpoena power of this
23 Court, but would not be within the subpoena power of the Texas court. And while VLSI asserts that
24 “the live claims in Texas are moving forward,” Mot. 24, if Intel prevails on the sole remaining license
25 issue here, the Texas actions would not need to move forward as they would be resolved by Intel’s
26 license. Moreover, contrary to VLSI’s suggestion, Mot. 24-25, there may be no need for any trial in
27 Texas anyway as the patent in one of the Texas cases has been held to be invalid by the Patent Office
28 and the Texas court is considering post-trial motions that could resolve the other Texas case. Thus,

1 the convenience of the parties actually favors moving forward with proceedings here instead of Texas,
2 consistent with what the Texas court has already decided. Dkt. 833-1.

3 **Finally**, VLSI repeats its reliance on the first-to-file rule, but as explained above, this case is
4 the first-filed case and “considerations of judicial and litigant economy, and the just and effective
5 disposition of disputes” favor resolving the license issues in this forum. *Supra* § III.C.1.

6 **D. This Court Should Reject VLSI’s Argument That Intel’s Counterclaim Fails To**
7 **State A Claim Upon Which Relief Can Be Granted.**

8 In a preview of what VLSI intends to do if this Court were to decline jurisdiction and defer to
9 Texas (which, as explained above, this Court should not do), VLSI attempts to relitigate issues already
10 decided by arguing that “Intel’s claim should also be dismissed for failure to state a claim upon which
11 relief can be granted.” Mot. 18. But this Court correctly rejected VLSI’s legal arguments regarding
12 the license counterclaim in denying VLSI’s motion for summary judgment and finding that
13 “*Shorenstein* and *MicroStrategy* map directly onto the instant matter.” Dkt. 781 at 8-11. The Court
14 correctly held that (1) “under Delaware law ... non-signatory entities meeting the definition of
15 ‘Affiliates’ (as defined by the Finjan License Agreement) of the Finjan Parties can be bound by the
16 agreement, including later acquired or formed ‘Affiliates’” and (2) “patents belonging to Affiliates of
17 Finjan, as defined by the Finjan License Agreement, are subject to the license to Intel described
18 therein.” Dkt. 781 at 14, 19. While VLSI asserts that “Intel’s allegations of control fail to state a
19 claim that VLSI is bound to the Finjan License,” Mot. 18, Intel has explained how Fortress created
20 and controls VLSI and acquired and controls Finjan, Dkt. 844 at 43-44 (¶¶ 107-116). This Court
21 previously rejected VLSI’s reliance on authorities outside the contract for the meaning of control and
22 determined that “[w]hether VLSI and the Finjan Parties are under common control by Fortress is an
23 issue of fact” for the jury. Dkt. 781 at 16.

24 **IV. CONCLUSION**

25 For the foregoing reasons, this Court should deny VLSI’s motion to dismiss and should instead
26 “reset trial on” Intel’s license counterclaim “on an expedited basis.” *See* Dkt. 860. The time has come
27 to finally resolve the license issues relating to VLSI’s years-long litigation campaign against Intel, and
28 both the law and the equities support this Court doing exactly that.

Respectfully submitted,

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